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DE RUEHSO #0572/01 1801141
ZNR UUUUU ZZH
R 291141Z JUN 07
FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC 7180
INFO RUEHBR/AMEMBASSY BRASILIA 8281
RUCPDO/USDOC WASHDC 2825
RUEHRC/USDA FAS WASHDC 0683
RUEHMN/AMEMBASSY MONTEVIDEO 2378
RUEHBU/AMEMBASSY BUENOS AIRES 2793
RUEHSG/AMEMBASSY SANTIAGO 2084
RUEHLP/AMEMBASSY LA PAZ 3398
RUEHCV/AMEMBASSY CARACAS 0520
RUEHRG/AMCONSUL RECIFE 3657
RUEHRI/AMCONSUL RIO DE JANEIRO 8183
RUEHAC/AMEMBASSY ASUNCION 3047
RUEATRS/DEPT OF TREASURY WASHDC

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SIPDIS

SIPDIS

DEPT FOR WHA/BSC, WHA/EPSC
STATE PASS TO USTR FOR SCRININ
STATE PASS EXIMBANK
STATE PASS OPIC FOR MORONESE, RIVERA, MERVENNE
USDOC FOR 4332/ITA/MAC/OLAC
USDOC FOR 3134/USFCS/OIO
TREASURY FOR JHOEK
AID/W FOR LAC/AA

E.O. 12958: N/A

TAGS: [EAGR](#) [EFIN](#) [ETRD](#) [EINV](#) [BEXP](#) [BR](#)

SUBJECT: BRAZILIAN COMPANY BECOMES WORLD'S LARGEST BEEF PRODUCER
WITH PURCHASE OF U.S. COMPANY SWIFT

REF: SAO PAULO 18

SUMMARY

¶1. The Brazilian company JBS-Friboi, the largest producer and exporter of beef in Latin America and the largest exporter of beef in the world, purchased 100 percent of Colorado-based Swift & Company for USD 225 million with the assumption of USD 1.16 billion in debt, giving the deal a total value of about USD 1.4 billion. The combined revenues of JBS-Friboi and Swift are approximately USD 11.5 billion last year. Swift is the third largest beef and pork processor in the United States and the largest beef processor in Australia. With this purchase, JBS-Friboi becomes the world's largest beef producer, surpassing both Tyson Foods and Cargill. This acquisition gives the Sao Paulo-based company new access to the global market and the especially lucrative U.S. and Asian markets. The deal, which garnered a lot of attention and commentary in the Brazilian media, came as a surprise to many in the United States, who expected Swift to be sold all or in part to U.S. meat companies.
End Summary.

BACKGROUND OF SWIFT FOOD & CO

¶2. According to U.S. and Brazilian media, Swift began to experience increasing debt in late 2003 when the United States first reported cases of mad cow disease and Japan temporarily banned imports of American beef. The company incurred further losses when, as part of an identity-theft investigation involving immigrants, U.S. immigration agents raided the company's plants in 2006 and found a large number of undocumented workers. These raids cost the company between USD 45-50 million in lost earnings and expenses to recruit and train new workers. Swift reported net sales of USD 2.09 billion for its fiscal third quarter ending this past February 25, down 6.9 percent from net sales of USD 2.24 billion in the same period the

previous year. For the fiscal year ending May 28, 2006, the company posted a loss of USD 129.55 million on sales of USD 9.35 billion.

PURCHASE DETAILS

¶3. JBS-Friboi purchased Swift for USD 225 million with the assumption of USD 1.16 billion in debt, bringing the total transaction to approximately USD 1.4 billion. The takeover creates the world's largest beef producer in terms of animals slaughtered. Together the two companies have the capacity to slaughter 47,100 cattle a day, surpassing Tyson's capacity of 37,100 and Cargill's of 36,000. Swift's pork unit is the most profitable and includes three U.S. plants. As Friboi's strength is beef, the company intends to analyze the performance of the pork business and then decide whether to spin off or expand pork operations.

INTERNATIONAL EXPANSION

¶4. The purchase reflects JBS-Friboi's consistent expansion strategy. The company began exporting fresh meat in 1997 and first expanded internationally in 2005 with the purchase of Argentine meat processor Swift Armour. While this is the largest purchase by JBS-Friboi to date, it is also part of a series of acquisitions intended to consolidate the company's global presence. According to JBS-Friboi chief executive Joel Mendonca Batista, the purchase is crucial for providing new "distribution channels in Japan, Korea, and also in the United States." With this expansion, JBS-Friboi gains increased access to the markets of the United States and Australia. Together with Argentina and Brazil, these four countries

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represent 50% of world meat consumption and more than 80% of world meat exports, making JBS-Friboi the new meat powerhouse in the world market.

COMMENT

¶5. This transaction represents another example of Brazilian companies increasing their investments outside Brazil as part of their strategy to diversify markets and attempt to become global players (reftel). End Comment.

¶6. This cable was cleared/coordinated with Embassy Brasilia.

MCMULLEN